Government-Created Nonprofit Organizations and Public Service Turnaround: Evidence from a Synthetic Control Approach

Professor Rhys Andrews (AndrewsR4@cardiff.ac.uk) and Dr Jose Manuel Alonso

Abstract

Theories of sectoral advantage and failure suggest that collaborations between public and nonprofit organizations can create new collaborative capabilities that compensate for sector-specific weaknesses. Drawing on this perspective, we investigate whether government-created nonprofit organizations (GCNPOs) can turn around public services regarded as "failing" by government agencies. In doing so, we analyse the transfer of all of the functions of a "failing" inner London local education authority (Hackney) to a specially created not-for-profit organization (the Learning Trust) responsible for all the primary and high schools within its jurisdiction (circa 60 schools, with about 25,000 pupils). Using a synthetic control method approach to investigate the performance effects of this intervention, we find that educational outcomes improved in Hackney during the years following the creation of the Learning Trust. Documentary evidence suggests that the nonprofit form of the Learning Trust may have enabled it to develop better relations with the local community and access new revenue streams, which helped to improve outcomes. Our findings highlight the breadth and depth of the contribution that GCNPOs can make to the delivery of public services, and to their potential effectiveness in helping to turnaround those that are failing.

Key words: Public-nonprofit collaboration; sector theories; organizational turnaround; local government; synthetic control method.

Forthcoming in: *Journal of Public Administration Research and Theory*

Introduction

Collaboration between nonprofit organizations and government has become a vital means for addressing major societal challenges, such as environmental sustainability (Meyer, 1997), urban regeneration (Brinkerhoff and Brinkerhoff, 2002) and educational innovation (Coupet et al., 2020). Public-nonprofit collaborations hold out the promise of enhanced social outcomes because when the public and nonprofit sectors work together they can generate collaborative capabilities, which can counterbalance sector-specific failings (Lasker *et al*., 2001; Salamon, 1987; Selsky and Parker, 2005). Despite ever-growing interest in public-nonprofit collaborations (Cheng, 2019b; Suarez and Esparza, 2017), surprisingly little research has addressed the development and use of government-created nonprofit organizations (GCNPOs) to tackle societal issues. GCNPOs are a distinctive hybrid organizational form (Ever, 2005; Knauer, 1997), which may draw on the strengths of the nonprofit sector in eliciting citizen support and accessing alternative revenue streams to address government failure, whilst retaining the public capabilities needed to guard against the prospect of voluntary failure. For this reason, the creation of GCNPOs may potentially be an effective strategy for governments seeking to turn around public services that are considered to be performing poorly.

To date, scholarship dealing with public-nonprofit collaboration has largely focused on the outsourcing of public services to nonprofit organizations (e.g. Feiock and Yang, 2009; Van Slyke, 2006), philanthropic coproduction of public goods (e.g. Brecher and Wise, 2008; Cheng, 2019a) or multi-actor collaborative networks to achieve social purposes (e.g. Gazley, 2008; Kapucu, 2006). This research has cast extremely valuable light on the relationships between nonprofits and government organizations, but has seldom addressed the performance effects of collaboration between the two sectors (for rare examples, see Andrews and Entwistle, 2010; Lazzarini et al., forthcoming; Nolte and Boenigk, 2011; Selden, Sowa and

Sandfort, 2006). Furthermore, almost no attention has been paid to the management and performance of GCNPOs, even though state "manufactured" public-nonprofit collaborative entities play a vital role in public good provision in many countries (Hodgson, 2004; Peci, Oquendo and Mendonça, 2017). Our main contribution in this article is to examine the potential role that GCNPOs can play in public service provision, especially in turning around failing services that are not meeting their objectives.

Sectoral advantage theories suggest that "certain functions" are "most efficiently and effectively performed by the private sector, others by the nonprofit sector, and others by government" (Cohen, 2001: 434). From this perspective, the nonprofit sector has a distinctive ethos of public service, connection with communities and ability to meet niche social needs (Billis and Glennerster, 1998), while the public sector has the capability for authoritative decision-making, probity and responsiveness to democratic pressures (Rufin and Rivera-Santos, 2012). Complementing sectoral advantage ideas, theories of sector failure have long indicated that nonprofit organizations are especially adroit at addressing government failure when social needs are unmet or underserved by public organizations (Young, 1998). However, they are prone to voluntary failure caused by a particularism, which favours well-resourced groups in ways that would be unacceptable to public organizations (Salamon, 1987). By bringing together the public and nonprofit sector, GCNPOs may be effective means for providing public services because public actors have the authority to ensure that the mission, governance and ownership structure of a GCNPO can be designed in ways that maximise the involvement of key stakeholder groups and communities (Smith and Lipsky, 1993). GCNPOs may therefore be an apt response to the challenge of public service failure and turnaround, because they can synergise nonprofit and public sector capabilities in pursuit of the public interest.

To understand whether the transfer of a "failing" public service to a GCNPO might represent an effective public service turnaround strategy, we analyse the performance of a hybrid nonprofit organization created at the instigation of the UK government to provide all of the education services in Hackney, a large urban local government located in East London. In 2002, in the wake of what government inspectors regarded as systemic performance failure, all of the education functions of the Hackney local education authority (LEA) were transferred to a specially created not-for-profit company, the Learning Trust, responsible for all the primary and high schools within its jurisdiction (circa 60 schools, with about 25,000 pupils). At that time, the UK central government operated a performance management regime in which local public services identified as poor performers were subject to a range of interventions that varied in seriousness depending upon the extent of the performance problems identified by inspectors (Turner et al., 2004). This regime drew heavily on the language of failure, turnaround and recovery to describe the process by which intervention in the running of local public services was justified, monitored and managed (see Office of the Deputy Prime Minister, 2004; Office of Public Services Reform, 2002).

The concepts of organizational failure and turnaround are common in the private management literature (for reviews see Mellahi and Wilkinson, 2004; Trahms, Ndofor, and Sirmon. 2013), and have recently gained greater currency in public administration research (e.g. Boyne, 2006; James et al., 2016; Rutherford and Favero, 2020). Broadly speaking, public service failure refers to the adverse performance judgements of stakeholders who "bestow legal, financial, or other resources on service providers" (Boyne, 2006, 374), while public service turnaround refers to the commitment to implement organizational changes aimed at returning failing services to desired performance levels (Boyne, 2004). Hackney was the only LEA in England to have its education services completely transferred to a GCNPO in response to its perceived poor performance. It therefore represents a unique case requiring

the application of a research technique that can facilitate comparisons between the achievements of the Learning Trust and a credible counterfactual.

To explore the potential for a GCNPO to improve public education provision considered to be "failing", we use a synthetic control method (SCM) to analyse education outcomes between 1994 and 2012. SCM analysis can approximate treatment effects by comparing a "treated" case with a synthetic "untreated" version of that case constructed with information from counterfactual cases not receiving the treatment (Abadie and Gardeazabal. 2003). Here, we focus on educational outcomes by analysing high school examination pass rates and pupil absence rates for the borough of Hackney and a synthetic version of the borough constructed using weighted data drawn from other similar English LEAs.

The creation of the Learning Trust is an example of the 'corporatisation' of local public services, or movement of a function from within a local government bureaucracy into a wholly or partly-owned corporate entity, which has become popular in England in recent years (Ferry et al, 2018). The use of nonprofit organizations to provide services has been a distinctive feature of corporatisation (Andrews et al., 2020). Evidence on the performance of the Learning Trust can therefore cast valuable light on the effectiveness of GCNPOs as a tool for providing and turning around public services. To better understand the distinctive blending of sectoral capabilities associated with GCNPOs, we complemented our SCM analysis of educational outcomes in Hackney with documentary evidence relating to the creation and operation of the Learning Trust, including: annual accounts; corporate plans; inspection reports; consultancy reports; and local government cabinet papers. The SCM model suggests that the use of GCNPOs to turn around failing public services can potentially achieve desired performance improvements. These results are robust to a variety of sensitivity tests. The documentary evidence provides further insights into the ways in which

the hybrid nonprofit organizational form of the trust may have influenced educational outcomes.

Theoretical Perspectives on Government-Created Nonprofit Organizations

Scholarship on the management, governance and performance of nonprofit organization has exploded during the past forty years (Forbes, 1998; Maier, Meyer and Steinbereithner, 2016). Amongst other issues, significant attention has been paid to defining the distinctiveness of the nonprofit sector (e.g. Hansmann, 1980; Young, 1998), classifying the different types and functions of nonprofit organizations (e.g. Anheier, 2006; Salamon and Anheier, 1990), and the challenges and opportunities nonprofits confront when they collaborate with public sector organizations (e.g. Cheng, 2019a; Coston, 1998; Gazley and Brudney, 2007; Marwell and Calabrese, 2015). Seemingly missing within this growing literature on public-nonprofit relationships though, is systematic theoretical and empirical analysis of the management and performance of GCNPOs – a hybrid form of nonprofit organization, in which public organizations play an important role as the founder and/or (part) owner of the entity.

Since Knauer's seminal (1997) article dealing with charities created by the US federal government, very little scholarly attention has been paid to the creation, operation or ownership of nonprofit organizations by government bodies. Researchers have begun to investigate the phenomenon of government-owned or controlled nonprofit organizations in China (see, for example Ni and Zhan, 2017; Wang, 2018). However, such hybrid public-nonprofit organizations are common in many developed countries, such as Australia, Germany, Japan, and the UK, ranging from wholly-owned nonprofit entities operated or overseen by national and local governments to charitable foundations passed over to or held in trust by governments (Evers, 2005; McGregor and Flack, 2002; Palandt, 2003; Yamamoto, 1998).

Typically, GCNPOs involve the exercise of political authority to create a nonprofit form of organization with the legal mandate to carry out some public purpose (Knauer, 1997; McGregor and Flack, 2002). At the local level, GCNPOs represent a distinctive example of the kinds of hybrid public-nonprofit organizations increasingly populating the landscape of social services provision (Billis, 2010; Marwell, 2004). In England, GCNPOs are now being created by local governments to manage and provide local public services as part of a wider process of 'corporatisation' (Andrews et al., 2020). For example, nearly all local museums in the country now operate as charitable trusts with varying degrees of public ownership, political control and government funding (Babbage, Ewles and Smith, 2006), and a large number of local governments provide social housing through publicly-owned nonprofits (Pawson and Mullins, 2010).

Corporatisation is sometimes seen by local governments as a politically acceptable 'middle-ground' between in-house provision and privatization (Leavitt and Morris, 2004). A key reason for this is because the parent organization retains significant control over the corporatized service, whereas a privatised service is typically provided by a firm with no connection to the local government. Critically, the principal idea behind the development and use of a GCNPO, rather than a profit-making corporate form, is that their nonprofit status affords them certain advantages over other types of organization, in terms of public confidence, managerial flexibility and access to non-tax revenues (Knauer, 1997). This idea derives from sectoral advantage and failure theories.

GCNPOs and sectoral advantage

According to Selsky and Parker (2005) 'when actors from different sectors focus on the same issue, they are likely to think about it differently, to be motivated by different goals, and to use different approaches' (p.851). These different approaches are sources of sectoral

advantage that can be synergised to create the collaborative capabilities necessary for comprehensive action in pursuit of the public interest (Lasker et al., 2001). In particular, when the public and nonprofit sectors collaborate, public organizations tend to hold mandates that provide them with the authority to "get things done" in responding to the needs of the average citizen, while nonprofits bring with them a capacity to represent those social groups whose needs may diverge from that of the average citizen (Gazley and Brudney, 2007). As such "the voluntary sector's weaknesses correspond well with government's strengths, and vice versa" (Salamon, 1987, p.42). From this perspective, GCNPOs, in particular, might be expected to be especially efficacious in pursuit of better public service performance.

If managed effectively, 'hybrid' organizations that bring together elements from the public and nonprofit sector can potentially benefit from the distinctive competences associated with each sector (Selden et al., 2006). Hence, NPOs created to improve public service provision might enable government to harness the community-orientation of nonprofit organizations and the confidence that this inspires amongst service users. Osborne and Gaebler (1993) stress that the activities of nonprofits "demand compassion and commitment to individuals, require extensive trust on the part of customers or clients, need hands-on personal attention (such as day care, counseling, and services to the handicapped or ill), and involve the enforcement of moral codes and individual responsibility for behaviour" (46). For national or local governments seeking to turnaround public services, the creation of a nonprofit organization to provide services can therefore represent an especially attractive means for cultivating the community capacity needed to deliver performance improvements, especially in the wake of perceived service failures.

GCNPOs, sector failure and public service turnaround

Sector failure theories point to the distinctive weaknesses of each sector as potential sources of opportunity for organizations from the other sectors (Dollery and Wallis, 2004). In particular, government failure, defined as "the inability of a public agency or public agencies at any level of government to secure economic, social or any other policy objectives" (Dollery, 2009), presents an opening for nonprofit organizations to contribute to the production of public goods. As Weisbrod (1997) emphasizes, "when populations are diverse, services that satisfy the majority may leave many people undersatisfied; nonprofits are thus understandable as an alternative mechanism for providing collective services" (542). Politicians' efforts to maximise their appeal to the median voter in response to government failure may result in standardized or conventional policy solutions that potentially lead to worse performance (Boyne et al., 2012). In such circumstances, nonprofit organizational forms may conceivably "have a comparative advantage" because their "distinctive ambiguous and hybrid structures enable them to overcome problems of principal-agent gap, median voter reluctance, weak messages from politicians to staff and lack of market interest" (Billis and Glennerster 1998, 95). Furthermore, nonprofit organizations are likely to be less constrained by the rules and regulations to which public organizations are subject, having greater flexibility in hiring and firing staff, accessing non-government sources of funding and developing alternative programmes and initiatives (Dollery and Wallis, 2004).

Although involvement of the nonprofit sector in the provision of public services holds out the promise of improving responsiveness, Salomon (1987) highlights that nonprofits may lack the capacity and professionalism needed to provide public services on a large-scale, and can be susceptible to a particularism and elite capture that privileges the preferences of the better-off or well-to-do. Due to this potential for voluntary failure, it is conceivable that management of failing public services by a nonprofit organization could lead to services

actually becoming worse rather than better overall. However, while contracting with nonprofit organizations, like contracting with private firms, potentially gives rise to principal-agent problems (Van Slyke, 2007), the ownership and governance structure for GCNPOs permits local governments to retain a greater degree of control than in a more conventional contracting relationship. A distinctive feature of GCNPOs, therefore, is that they can be explicitly designed to combine the best of the public and nonprofit sectors. Their sponsoring governments are likely to expect them to synergise the commitment of the nonprofit sector to address demand heterogeneity with the mandate of the public sector to meet the demands of the median voter. In addition, GCNPOs are able to access both public and nonprofit sources of funding to build the capacity required to address service failure. This latter point suggests that the creation of the Learning Trust might have been a particularly effective strategy for harnessing nonprofit and public sector capabilities in the turnaround of Hackney's 'failing' education services.

Theories of public service turnaround suggest that there are three main strategies that public organizations generally employ to achieve service improvements in the wake of failure: retrenchment, repositioning and reorganization (Beeri, 2012; Boyne, 2004; 2006). Retrenchment entails cutting costs by reducing service provision, repositioning involves developing new services and entering new markets, while reorganization implies the restructuring and/or replacement of management systems and processes (Boyne, 2004). Systematic research on the effectiveness of different public service turnaround strategies is only slowly emerging (e.g. Boyne and Meier, 2009; Favero and Rutherford, 2016; Reingewertz and Beeri. 2018; Rutherford, 2014), and is somewhat inconclusive regarding the impact of those strategies. Critically, Rutherford and Favero (2020) highlight that public service turnaround strategies should be matched to the needs of the failing organization. In the case of the Hackney Learning Trust, we argue that the use of a GCNPO to carry out the

functions of a LEA may offer a particularly strong prospect of success, especially as prior to establishment of the Trust, central government inspectors argued that Hackney was suffering from "dysfunctional corporate management" and difficulties developing "links with a wide range of community groups" (Office of Standards in Education (Ofsted), 2000, pp.2, 34). Evidence on the effectiveness of the Trust can therefore cast light on the relative merits of reorganization as a turnaround strategy, and on the value of alternative models of educational provision in the UK, where private fee-paying schools are well-known to outperform state schools (e.g. https://www.telegraph.co.uk/education/12174166/Private-school-pupils-two-years-ahead-of-state-educated-peers-by-the-age-of-16.html), but much less is known about state schools managed by nonprofit organizations.

Next, drawing on a review of documentary evidence, we describe the governance and management of the Learning Trust. According to Yanow (2006), documents can "provide background information" and they "may corroborate observational and interview data—or they may refute them" (p.411). Hence, we first reviewed corporate and policy documents to understand the specific legal form, ownership and board structure, and contractual arrangements for the Learning Trust. Relevant documents were identified by scrutinizing electronic records of the minutes of all the Hackney local government cabinet meetings for the period 2001 to 2012 (approximately one meeting every month),[1] and documentation held by the UK's national registrar of companies, Companies House.[2]

Recognising that documents can capture "how people responded at that time to particular events or idea" (Yanow, 2006, p.411) as well as furnish useful background

[1] This process revealed that the Learning Trust was required to produce an annual corporate improvement plan, with Hackney council preparing an annual report on its progress, all of which were downloaded from the council webpages. The Learning Trust was usually on the agenda for the first cabinet meeting of each calendar year.

[2] In particular, we reviewed the articles of association setting out the legal terms of the Trust's incorporation, including the composition of the governance board and the voting rights of directors, along with the Trust's annual reports, which include its audited accounts. The Trust's financial accounts were supplemented with those for Hackney local government, available electronically via the council website.

information, we reviewed inspection reports and consultancy reports to gain some insight into how key stakeholders' interpreted the Trust's distinctive approach to the management of education services.[3] The inspection reports were searched and downloaded via the Office of Standards in Education website, with consultancy reports assessing the trust's achievements identified using internet search engines.[4] A comprehensive list of the documentary evidence that we collected and reviewed for our research is shown in Appendix B. Following our description of the Learning Trust below, we explain the data and methods that we employ for our SCM model.

Hackney Learning Trust

After its creation in 1990, in the wake of the abolition of the Inner London Education Authority, Hackney's LEA was the subject of five highly critical inspection reports by the Office for the Standards of Education. The Chief Inspector at the time, Chris Woodhead, declared in 2000 that Hackney was the worst-run LEA in the country (Woodward and Hetherington, 2000). On the direction of the UK Secretary of State for Education and Skills (DfES), the Learning Trust was created by the Hackney local government in 2002 to take over all of the education functions of Hackney LEA. It was the first, and so far only, nonprofit organization created to lead and deliver all of the education services within an English LEA, doing so under a ten-year contract with Hackney local government (Hackney Council, 2002). In this respect, the creation of the Learning Trust differs greatly from the widespread decision to corporatize other services by English local governments, as it took

[3] After reading the consultancy reports through for the first time, we re-read them searching for relevant information on stakeholders' perspectives using key terms related to the nonprofit form of the Learning Trust. Specifically, 'governance', 'privatisation', 'profit', 'voluntary', 'community', 'stakeholders', 'board'. Through this process we identified over one hundred relevant passages of text, which were further scrutinized for particular commentary and quotes that could provide valuable insights into the distinctive nature of the Trust.
[4] An extensive search of the Hackney cabinet meeting minutes in the years after education services were returned to full local government control failed to identify whether a final evaluation of the Trust's performance or of the transition process was ever undertaken by the council.

place in the single most important service provided by those governments, and was effectively imposed on Hackney.

The trust was established as a company limited by guarantee, a common legal form for nonprofit organizations in the UK, which signifies that any profits made by a company are legally required to be reinvested within the company and not distributed to the company owners (Hannigan, 2018). Ownership of the trust was retained by Hackney local government with UK central government oversight. The trust adopted articles of association, which laid out that the board of directors should be composed of: the chair, appointed by the Secretary of State for Education, and four executive directors, with seven non-executive directors (two headteachers; one chair of a school governing body; the Hackney Mayor, CEO and Cabinet Member for Children & Young People, plus one other representative of a local statutory body); and two independent non-executive directors from the local community. According to the first chair of the board appointed by UK central government, Sir Mike Tomlinson: "the board was hugely representative of the local community… wide-ranging in its composition in terms of the community at large" (quoted in Boyle and Humphreys, 2012, p.37).

Like many nonprofit organizations contracted to provide public services, most of the funding for the Learning Trust came from government sources (see Annual Reports/Accounts for 2003/04-2011/12). However, the ultimate owner of the trust was the local government itself, rather than a group of trustees or directors with no necessary affiliation to the government to whom services are provided. The legal form, ownership structure, and governance arrangements of the Learning Trust are not the only ones that can be adopted for GCNPOs. For example, leisure trusts, forms of GCNPO that are commonly created by English local governments to manage sports facilities, are usually not owned by the government, having instead an independent board of trustees. GCNPOs akin to the Learning Trust have been created to provide social services, especially social housing. Nevertheless,

while local governments typically retain ownership of housing GCNPOs, the Learning Trust was unique in that the Chair of the Board of Directors was appointed by the central government, rather than by the sponsoring local government.[5]

The requirement to involve community stakeholders in the governance of the Trust was regarded as essential to address what government inspectors described as a "dysfunctional corporate context in Hackney", in which "[p]olitical leadership is fragmented,.. and there is a climate of mistrust between members, officers and schools" (Ofsted, 2000; p.22).[6] The urgency of the need for change was acknowledged by the trust's board of directors, with the inaugural corporate plan emphasising "the extent of transformation required" and the tough decisions being made to achieve the necessary "degree of transformation" (The Learning Trust, 2003a, p.4, 10).

In addition to developing new school improvement policies to achieve "transformation", the trust implemented changes to management policies and practices, setting up a new financial accounting and reporting system, an integrated estates strategy and a dedicated recruitment function to address problems of teacher retention. Importantly, the trust also introduced several initiatives intended to change the culture of Hackney's education services, including: a Stakeholders Reference Forum; reference groups for all divisions of the trust's activity; public sessions of the board meetings; more regular meetings with headteachers and school governors; and a consultation group involving "tenant associations, general practitioners' surgeries, the voluntary sector, parents and existing stakeholder groups" (The Learning Trust, 2003b). According to one of the trust's non-executive directors, these changes "empowered stakeholders, they've given parents the voice, they've given headteachers and governors the voice" (quoted in Boyle and Humphreys, 2012, p.86).

[5] A typology of the main GCNPOs created by the major local governments in England can be found in the supplementary file available online.
[6] This point was also made by several stakeholders interviewed by Boyle and Humphreys (2012).

Nonetheless, it is still important to note that the Hackney local government retained responsibility for "the strategic direction for education in Hackney with the Learning Trust being responsible for the implementation of that strategic direction" (Hackney Council, 2002, p. 1).

The contract between Hackney Council and the Learning Trust was prepared by council officers, DfES officials, the accountancy firm PriceWaterhouseCoopers and the legal firm Pinsent Biddle Curtis. It incorporated a number of key service performance and financial targets, including commitments to raise pupil attainment and improve school attendance rates, along with the potential threat of contract termination in the event of contract failure (Hackney Council, 2002). At the same time as the trust's formation, a similar contract had been signed with the private provider of education services to Islington LEA, which was also regarded as failing by UK central government. However, this initiative was politically unpopular due to perceptions of profiteering on the part of the private contractor (Boyle and Humphreys, 2012).[7] By contrast, the Mayor of Hackney at the time, Jules Pipe, claimed that the "not-for-profit nature of the Learning Trust meant that it was able to establish itself without contending with… accusations of privatisation, and immediately establish a strong relationship with heads, governors and teaching unions" (London Councils, 2015, p.31).[8]

Contracting with nonprofits may generate similar principal-agent problems to those governments encounter when contracting with private firms (Van Slyke, 2007). However, in this case, Hackney local government retained significant control over the 'corporatized' public service. In addition, to maximise the benefits of its nonprofit status, the board of the Learning Trust set up an Inward Investment Committee to develop a funding strategy aimed

[7] Islington's education services were contracted out to Cambridge Education Associates P.L.C – a company which was later sold to the consultancy firm Mott MacDonald PLC (Boyle and Humphreys, 2012).
[8] Boyle and Humphreys (2012) suggest that the creation of the trust appealed to right-wing stakeholders as it took education out of local political control, but that it also appealed to left-wing political stakeholders because it removed the profit motive from education services (pp. 12-13).

at attracting additional grants from the voluntary sector over and above the government contracts and grants obtained from Hackney council and central government (The Learning Trust, 2003a, pp.18-19). In 2008, the trust also established its own charity to coordinate outdoors educational activities for children in the borough (The Learning Trust, Annual Report: Year ending 31 March 2009). All of the above indicates that the Learning Trust may have been able to develop a distinctive community orientation with the authority and backing of the local and central government.

SCM Methodology and Data

The Synthetic Control Method

We use a Synthetic Control Method (SCM) approach to estimate the potential effects of the creation and implementation of the Learning Trust on educational outcomes in Hackney. The SCM, developed by Abadie and Gardeazabal (2003) and extended in Abadie, Diamond, and Hainmueller (2010), is particularly well suited to analysing comparative case studies where a single unit (in our case one LEA) experiences a specific shock (usually denominated in the SCM literature as a "treatment" or "intervention") while the remaining units do not. Since no other LEAs experienced a similar intervention over the study period, the synthetic control that we construct should be independent of the creation of the Learning Trust.

The basic idea of the SCM is to construct a counterfactual to estimate the value of the outcome variable that would have been observed for the treated unit in the absence of the treatment (Abadie, forthcoming). The counterfactual (or synthetic control) is constructed using a weighted combination of potential control units (donor units) to approximate the most relevant characteristics of the unit affected by the treatment.[9] A key aim in doing so is to

[9] We use the default weights of the SYNTH package in Stata developed by Abadie, Diamond and Hainmueller. This package uses a data-driven method to compute weights based on a constrained quadratic programming

minimize the distance between the pre-treatment characteristics of the unit experiencing the "shock", in our case Hackney, and those of the donor units (Billmeier and Nannicini, 2013). One of the advantages of the SCM is that it does not require the existence of parallel pre-treatment trends, like Difference-in-Differences approaches. In addition, the SCM, unlike other empirical approaches, can deal with unobserved time-variant heterogeneity across units, reducing, therefore, potential biases associated with time-varying confounders (see Abadie et al (2010) and Abadie (forthcoming) for a more detailed explanation).

Data and sample

Local Education Authorities (LEAs) in England are the units of analysis for our study. To estimate the potential effect of the implementation of the Learning Trust on educational outcomes, we collected data from English LEAs for the school years 1993/1994 to 2011/2012. Our sample period begins in 1993/1994, since it is the first year for which data on our educational outcomes of interest are publicly available, and runs to 2011/2012, when education services were brought back under LEA control. We have, therefore, nine years of pre-trust data and ten years of post-intervention data. This period seems a reasonable time span to evaluate the post-intervention effects of the Learning Trust.

LEAs are local government education departments responsible for co-ordinating state educational services across England. Hence, the territories served by LEAs are coterminous with those for the major local governments in the country: London boroughs, metropolitan districts; unitary authorities and county councils. These are multi-purpose authorities, serving the entire population of England that manage approximately 25% of the total UK public sector budget (HM Treasury 2018), and are responsible for providing adult and children's

routine, that finds the best fitting W-weights conditional on the regression based V-matrix (see, Abadie et al, 2011).

social care, environmental services, and leisure and culture services, as well as primary, secondary and some tertiary schooling. English local governments operate a Westminster-style cabinet system of political management, made up of about ten senior politicians from the ruling political party. Taking into account national policy frameworks, the cabinet devises distinctive programmes of government on the advice of professional administrators led by a chief executive officer. Local education policies are thus made by the cabinet in consultation with the director/head of education services and their support staff.

Although there are 150 major local governments in England, we have restricted our sample to 33 LEAs (including Hackney) (see Appendix A). According to Abadie and Gaerdeazabal (2003) and Abadie et al. (2010), a crucial consideration when using a SCM approach is to choose potential donor units that have similar underlying characteristics to the treated unit, in order to avoid overfitting biases. Hence, for our donor sample we include: i) LEAs that were in the bottom 20% of LEAs for the proportion of students achieving five or more A*-C GCSEs (General Certificates of Secondary Education) before the HLT implementation in 2002; and/or, ii) local governments with an education services score of 2/4 or less for the inaugural Comprehensive Performance Assessment (CPA) in 2002.[10]

Our analysis focuses on publicly available measures of educational outcomes that were collected and published by the UK's Department of Education. In particular, we evaluate the impact of the Learning Trust on two educational outcomes commonly used in the related literature as proxies for education performance, namely academic attainment and absence rates (see, e.g., Bradley et al, 2001). Both indicators were targeted for improvement in the trust's first annual plan (The Learning Trust, 2003c).

[10] Annual Comprehensive Performance Assessments were undertaken by the UK's Audit Commission (a regulatory agency) between the years 2002 and 2008. CPA scores were based on judgements made by the Audit Commission about the quality of the public services provided by major local governments, including education. These quality judgements draw on statutory performance indicators, user surveys and on-site inspections.

First, we look at the proportion of students within each LEA achieving at least five A* – C GCSE grades (or equivalent) in schools maintained by the LEA at the end of Key Stage 4. GCSEs are public examinations normally taken by students at age sixteen. The proportion of students achieving the top four grades (A*, A, B, and C) has long been seen as a key measure of the effectiveness of English secondary schools (Wilson and Piebalga, 2008). For the period that we study (1994-2012), this indicator refers to getting grade C or above for any five out of all the possible school subjects offered across schools, such as English, Mathematics, Biology, Chemistry, Physics, French, German, History, Geography, Design & Technology. Second, we look at the effect of the Learning Trust on pupils' absence rates, calculated as the total number of school sessions missed as a percentage of the total number of sessions available. In the education literature, absence rates are considered a proxy for social inclusion (Holmlund and Silva, 2014; Reid, 2005) – a key concern of the trust (The Learning Trust, 2003c).[11]

To construct the best counterfactual from the pool of donor units (i.e. the synthetic control), we draw on the educational outcomes literature and use a focused set of critical LEA-level predictor covariates for which we could gather comprehensive data, namely: *local educational expenditure per capita* to capture public service inputs; the percentage of the local working population who are *unemployed* to proxy for the effects of parental worklessness on pupil attainment (see O'Brien and Jones, 1999); *population density* to capture challenges faced by schools in urban areas (see Gibbons and Silva, 2008; Ulubaşoğlu and Cardak, 2007); and, an indicator of *ethnic diversity* to proxy for complex patterns of

[11] It should be noted that eleven LEAs in our sample were created in the mid-1990s during a restructuring process, meaning that we were unable to gather data for educational outcomes for a small number of pre-intervention years. Pre-restructuring data for all eleven new LEAs is therefore based on aggregates of data from their predecessor organizations. These eleven newly created LEAs were Blackpool (1998), Bristol (1996), Kingston upon Hull (1996), Leicester (1997), Luton (1997), Middlesbrough (1996), North East Lincolnshire (1996), Nottingham (1998), Portsmouth (1997), Stoke-on-Trent (1998), Swindon (1998). We report in parentheses the date of creation for each new LEA in our sample.

school achievement in ethnically heterogeneous areas (Gordon and Monastiriotis, 2007; Rothon, 2007).[12] All these observed predictors are averaged over the pre-Learning Trust period to construct the synthetic control, and augmented by adding four years of lagged outcomes (school years 98/99, 99/00, 00/01 and 01/02). The main rationale behind adding these lagged outcomes is to improve the pre-intervention fit (see, Abadie et al., 2010).[13] Appendix A provides the data sources for all the variables used in our analysis.

Results

Figure 1 plots the raw data trends from school years 1993/1994 to 2011/2012 for both indicators in Hackney and all the other donor LEAs; Panel A shows the trends for the percentage of students achieving the top four GCSE grades, while Panel B reports the trends for school absence rates. These plots already suggest the Learning Trust had a positive effect on educational attainment and school absenteeism. Although there was an upward trend in GCSE achievement, and a downward trend in absence rates, across all units, after the trust was created in 2002, attainment and absenteeism in Hackney appear to have improved at a faster rate than in the donor LEAs, at least during the first years after its creation.[14]

[12] We measure ethnic diversity using a Herfindahl Index, defined as the sum of squared shares of the five ethnic groups identified in the 1991, 2001 and 2011 U.K. national censuses (white, black, Asian, mixed, and other), with a high score reflecting lower diversity.

[13] In addition, using those years right before and after the introduction of the Best Value performance management regime in English local governments in April 2000 might help capture potential post-intervention outcomes across all units. Best Value aimed to improve local public services, including education, through a statutory planning process, incorporating consultation with key stakeholders, and assessments of the competitiveness of service delivery. It also included action plans laden with targets for local governments, and an annual process of monitoring and reporting against achievements (Ashworth, Boyne and Delbridge, 2007).

[14] The improvements in education outcomes observed during the study period are the result of a sustained period of national investment in an array of different school (and public service) improvement policies, especially those introduced by the Labour government during the 2000s (see Lupton and Obolenskaya, 2013).

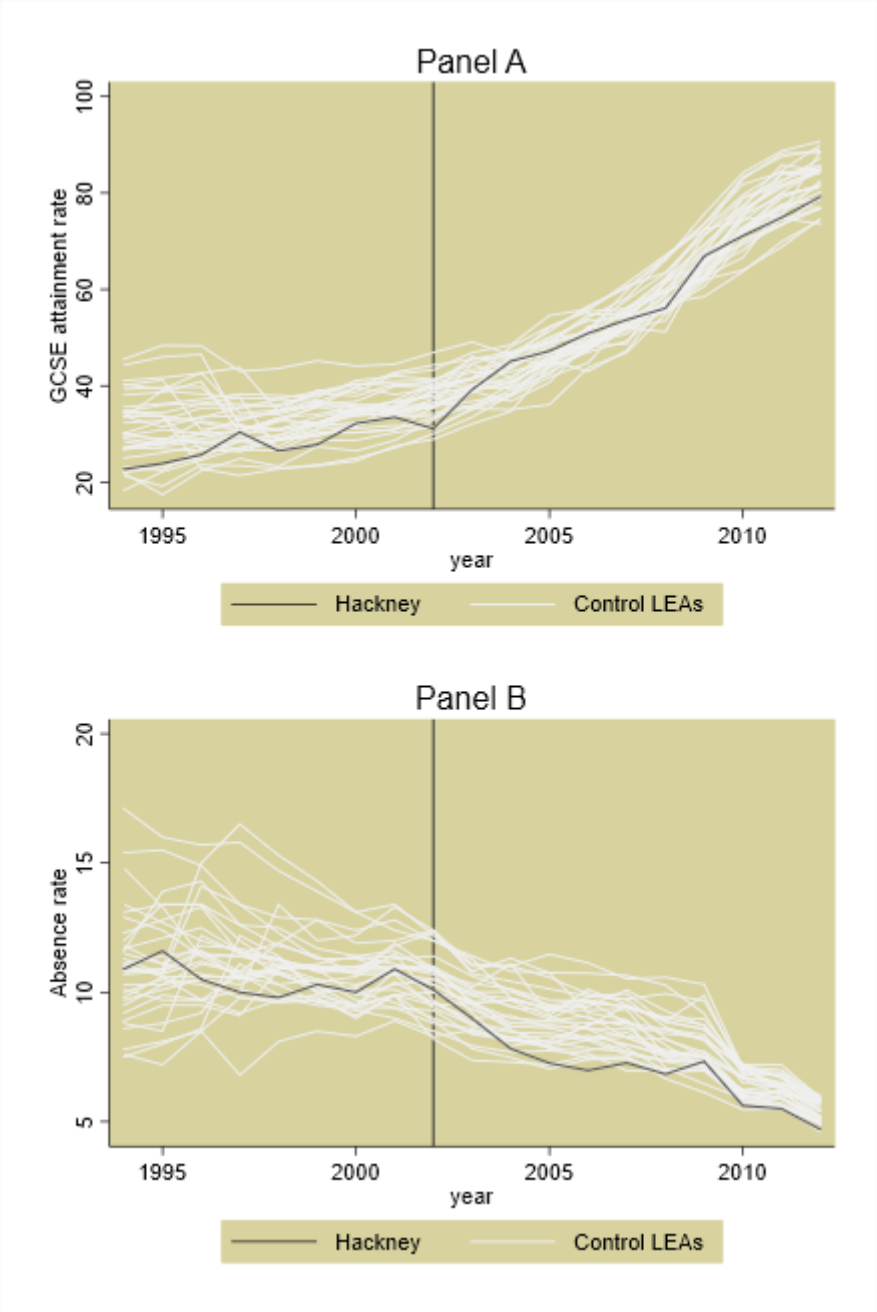

Figure 1. Time Trends in Educational Outcomes

To estimate the effect of the creation of the Learning Trust on educational outcomes in Hackney though, the key question is how those outcomes would have evolved in Hackney in the absence of the trust. As mentioned above, the SCM provides a systematic way to estimate this counterfactual, by constructing a weighted combination of LEAs in the donor pool that most resemble Hackney in terms of "pre-treatment" predictors of educational outcomes. All of the units in the synthetic controls, excepting Kingston upon Hull, are Inner

London Boroughs like Hackney which, *a priori*, should be more comparable than other LEAs in terms of observable and unobservable factors affecting educational outcomes.

Table 1. Educational Outcomes Predictor Means

			Synthetic control by outcome variable	
	Hackney	32 control LEAs	GCSE achievement[a]	Absence rates[b]
	(1)	(2)	(3)	(4)
GCSE achievement (1998/1999)	27.8	33.4	28.6	
GCSE achievement (1999/2000)	32.2	34.4	29.8	
GCSE achievement (2000/2001)	33.5	35.7	31.7	
GCSE achievement (2001/2002)	31.1	37.3	32.6	
Absence rates (1998/1999)	10.3	10.9		10.3
Absence rates (1999/2000)	10.0	10.6		10.2
Absence rates (2000/2001)	10.9	10.9		10.7
Absence rates (2001/2002)	10.1	10.4		10.2
Education spending (per capita)	546.6	453.9	535.3	525.1
Unemployed people (per 1000 population)	93.4	65.2	66.7	75.3
Population density	97.6	36.2	46.8	75.8
Ethnic diversity	0.5	0.8	0.7	0.6

Notes: Predictor means are computed over the pre-intervention period (1993/94-2001/02); (a) Synthetic Hackney is constructed using Greenwich (45.6 percent), Southwark (22 percent), and Kingston upon Hull (22.4 percent); (b) Synthetic Hackney is constructed using Haringey (48.1 percent), Lewisham (22.4 percent), Islington (21.1 percent), and Greenwich (8.4 percent)

The first two columns of Table 1 provide the mean of the selected pre-intervention predictors for Hackney and all control LEAs, while the third and fourth columns report the mean of the selected pre-intervention characteristics of synthetic Hackney by outcome variable, i.e. GCSE achievement and Absence rates. Overall, the average gap between the selected pre-treatment covariates of Hackney and its synthetic controls is smaller than the gap

between Hackney and all the donor LEAs, especially for local education spending. Moreover, prior to the creation of the Learning Trust, GCSE achievement was substantially higher, on average, in the 32 control LEAs than in Hackney, while synthetic Hackney is much closer to real Hackney's pre-treatment GCSE achievement.

Panel A in Figure 2 shows the percentage of students achieving at least five A* – C GCSE grades for Hackney and its synthetic counterpart during the period 1993/1994–2011/2012, while Panel B displays school absence rates for the same two groups and time period. Starting with GCSE achievement, the synthetic control is similar to actual Hackney in the pre-intervention period. At the same time, and consistent with the overall trend observed in the whole sample (see Figure 1), educational attainment in Hackney increased substantially during the entire period under analysis. While the results may not appear dramatic, they are comparable to those found in other SCM studies using sub-national level data (e.g. Eren and Ozbeklik, 2016; Roesel, 2017; Ross, 2018), and are actually indicative of a substantive improvement in attainment.

After the creation of the Learning Trust in 2002, our results suggest that there is a positive treatment effect for the first post-intervention years with around five per cent better GCSE achievement than synthetic Hackney. This effect peaks in the school year 2003/2004, where the estimated GCSE achievement in Hackney is about 6 percentage points higher than in the synthetic control. Nevertheless, the positive treatment effect does not appear to be sustained, as Hackney's trend line seems to return to its synthetic control level from 2007/2008 onwards. Turning to our second educational outcome of interest, i.e., absence rates, we observe a similar effect. After the creation of the Learning Trust, there is a reduction in absence rates in Hackney for the first post-intervention years of around one per cent, which peaks in the school year 2006/2007, where the estimated absence rate in Hackney is about 1.44 percentage points lower than in the synthetic control. We observe again how the

positive effect of the trust diminishes over time, as the trend lines of real Hackney and synthetic Hackney are virtually identical from 2009/2010 onwards.

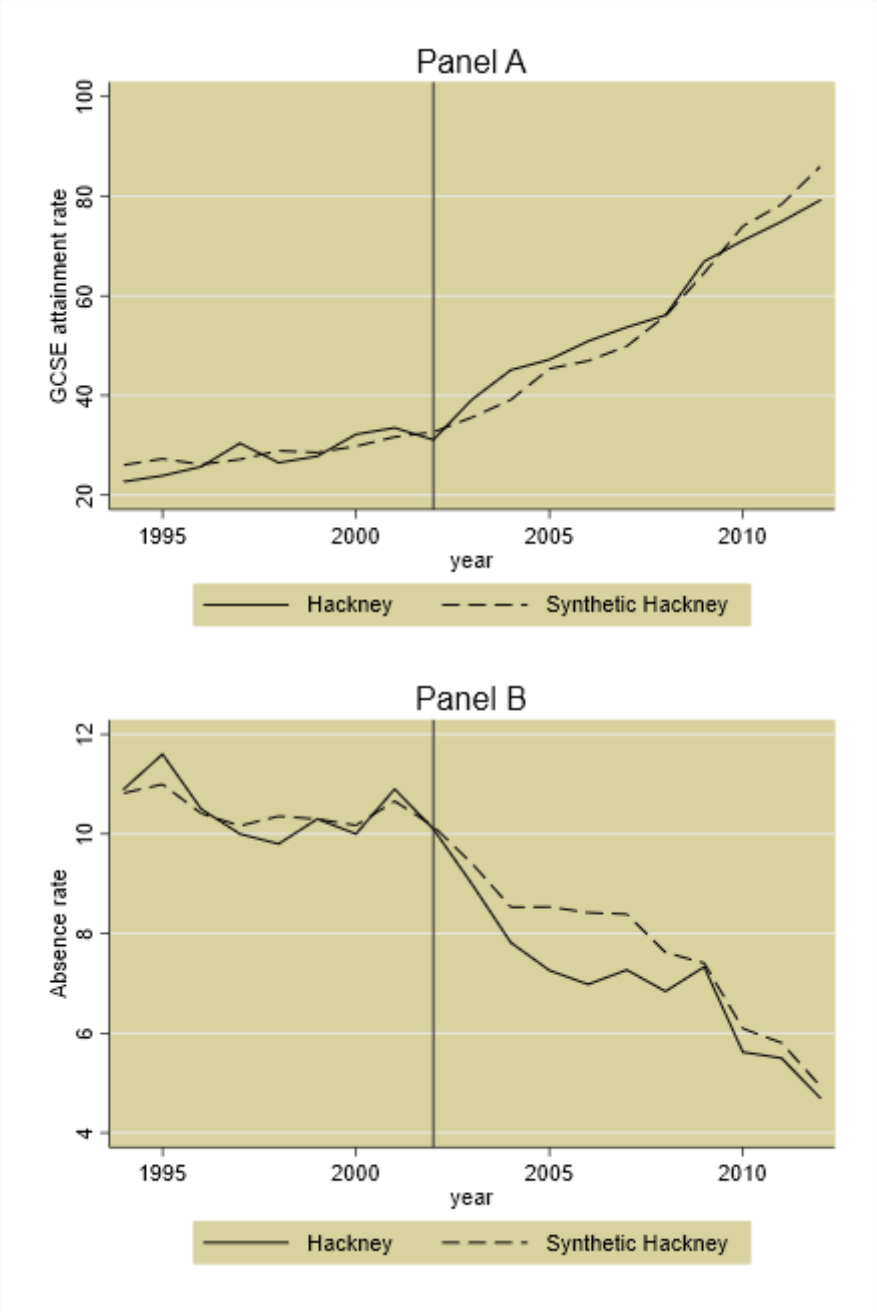

Figure 2. Trends in Educational Outcomes; Hackney versus Synthetic Hackney

Our SCM results suggest that the turnaround in educational attainment attributable to the Learning Trust may not have continued throughout its lifetime. However, this dramatic

reorganization seems to have had a more lasting effect on absence rates, and the substantive effect of the clear improvements achieved for both educational outcomes during the first six years in which the trust operated is likely to represent a meaningful growth in the number of well-qualified and socially integrated young people living within Hackney.

The return to something like as-if-not-treated performance can potentially be (at least partly) explained by the organizational turnaround stages model (see Bibeault, 1998). After an intervention, organizations go through a series of overlapping phases, stabilising once the turnaround strategy is implemented before entering a recovery or growth phase when performance improves (Robbins and Pearce, 1992). However, the recovery phase does not necessarily imply perpetual continuous growth and improvement, but that at a certain point an organization returns to something like its pre-crisis trajectory (Balgobin and Pandit, 2001). Interestingly, the point at which the real Hackney returns to synthetic Hackney's trend line is around 2008. The disappearance of the treatment effect at this time could therefore be due to it losing effectiveness within Hackney or to an exogenous shock that closed the gap between Hackney and comparator LEAs.

According to council cabinet reports, in 2008, the Learning Trust was required to revert back from a three-year planning cycle to a more stringent annual continuous improvement regime (Hackney Council, 2005; 2007). Moreover, from 2008 onwards, the Trust's improvement plans referred to the adoption of more business-like practices (e.g. the use of a balanced scorecard approach to performance management – something confirmed in the Annual Report for 2007/08), a streamlined organizational structure and greater emphasis on the management of corporate risk (The Learning Trust, 2008; 2009). The apparent modifications to the management and monitoring of the trust may conceivably have constrained its ability to plan strategically and respond effectively to the raft of policy changes brought in by the Conservative-led coalition national government in 2010 (Hackney

Council, 2011; The Learning Trust, 2011). It is also possible that the trust experienced the mission drift that arguably affects nonprofit organizations dependent on government funding, particularly when they are required to submit to increasingly formal reporting processes (Jones, 2007).

In addition to losing some of the comparative advantages the Learning Trust may have held over other LEAs during 2008, that year was, of course, when the global financial crisis led to a major restructuring of the local economy in Hackney (Woodcraft and Moore, 2019). It also marked the start of a period during which local governments across London began investing heavily in school improvement, a policy that resulted in dramatic increases in achievement across the city (Ladd and Fiske, 2016).

Unfortunately, on this occasion, we do not have the data needed to fully tease out the relative merits of these different explanations for the waning of the treatment effect. Future research could therefore investigate whether the Learning Trust was unable to sustain its turnaround journey because it experienced a reduction in the autonomy over its strategic management, weakened mission focus and commitment and/or because it struggled to adjust to local economic and institutional change.

Robustness tests

To evaluate our results' robustness, we first conduct a series of placebo tests, which help to avoid mistaking random differences for real impacts. Briefly, these placebo tests involve applying the SCM iteratively to every control unit, reassigning in each iteration the "treatment status" to one of the units in the donor pool. Then, we compute the effect associated with each placebo, and generate a distribution of estimated effects for the donor LEAs or, in other words, for the non-treated units. By so doing, the effect could be contrasted with those estimated for a region chosen at random.

Panel A in Figure 3 shows the results for the placebo test for GCSE attainment, while Panel B reports the results for absence rates. The light gray lines represent the gap in each educational outcome associated with each of the 32 runs of the test, and the black line represents the gap estimated for Hackney. As figure 3 suggest, compared with placebo studies, the Hackney effect line for GCSE achievement seems to spike right after the creation of the Learning Trust in 2002, reaching its peak in 2003/2004. In addition, there does not appear to be any other unit systematically outperforming Hackney during these initial years.

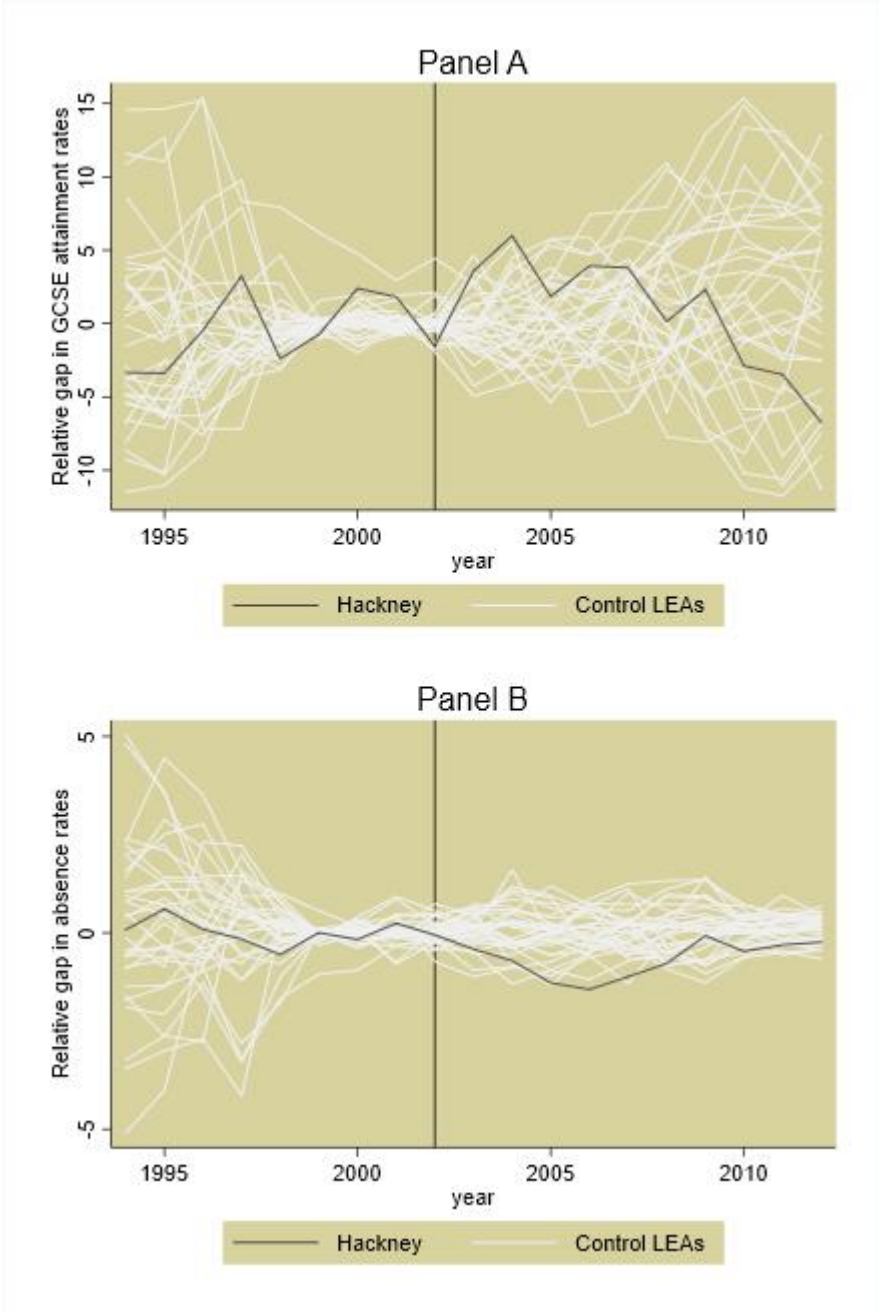

Figure 3. Effect Gaps in Hackney and Placebo Effect Gaps, all Control LEAs

Critically, the positive attainment gap between Hackney and synthetic Hackney in the wake of the intervention is larger than the negative pre-intervention gap. This implies that the turnaround of Hackney's education services in the wake of the decline that preceded the Trust's creation went beyond a return to the mean. Nevertheless, the effect gap, does not continue to grow, and substantially decreases after school year 2007/2008, therefore confirming our initial findings. It should be acknowledged though, that the suboptimal pre-fit (probably due to the wide variation in GCSE scores in the pre-intervention period) calls for caution when interpreting these findings.

The picture for our second educational outcome of interest is very similar, although the pre-intervention fit is much better. The positive effect gap in reducing absence rates in Hackney following the creation of the Learning Trust seems to peak in 2006/2007, but we observe the effect line returning to its synthetic control level after that peak.

As an additional robustness check, Figure 4 reports the results of a leave-one-out test, taking from the sample one-at-a-time each of the LEAs that contribute to the synthetic control in both models, as suggested in Abadie (forthcoming). The estimates for GCSE scores are all positive between academic years 2002/2003 and 2007/2008, hence the main finding of a positive estimate of the implementation of the HLT on GCSE scores over the early years of the creation of the HLT seems robust to the exclusion of any LEA contributing to the synthetic control. Similarly, the estimates for absence rates are all negative (i.e. lower absence rates) between academic years 2003/2004 and 2008/2009, confirming again our initial findings.

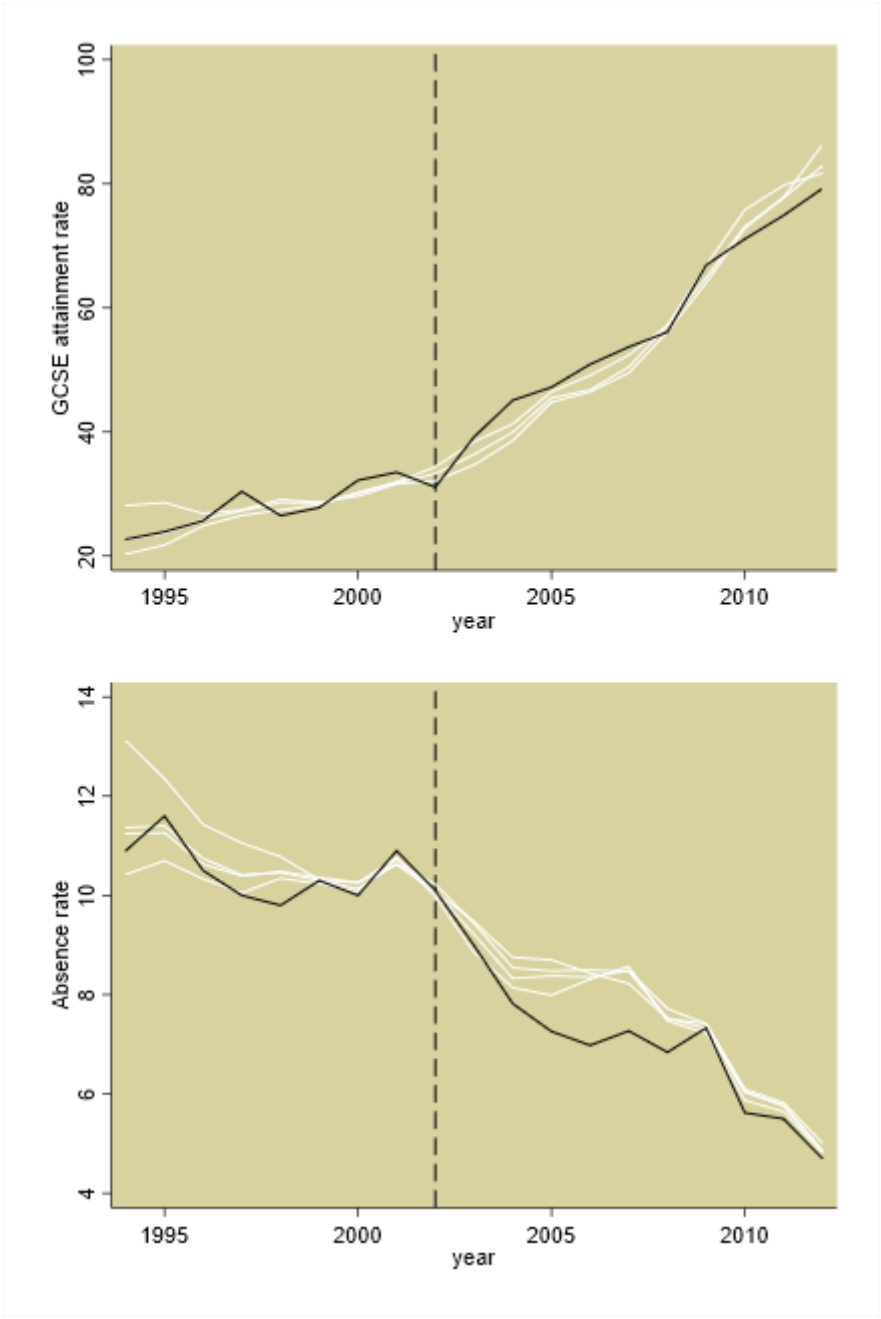

Figure 4. Leave-one-out Estimates

It is possible that anticipation effects bias our estimators, i.e. if there were any changes in the way education was managed prior to the creation of the HLT. Figure 5 shows estimates of the potential effect of HLT with the intervention backdated to the academic year 1999/2000, right before the Best Value scheme was in place (see footnote 7) and two years before the intervention. The resulting estimates for both outcomes suggest that there are no estimated

effects prior to the intervention, and that the gaps between Hackney and synthetic Hackney, although of a slightly smaller magnitude, are similar to those in Figure 2.

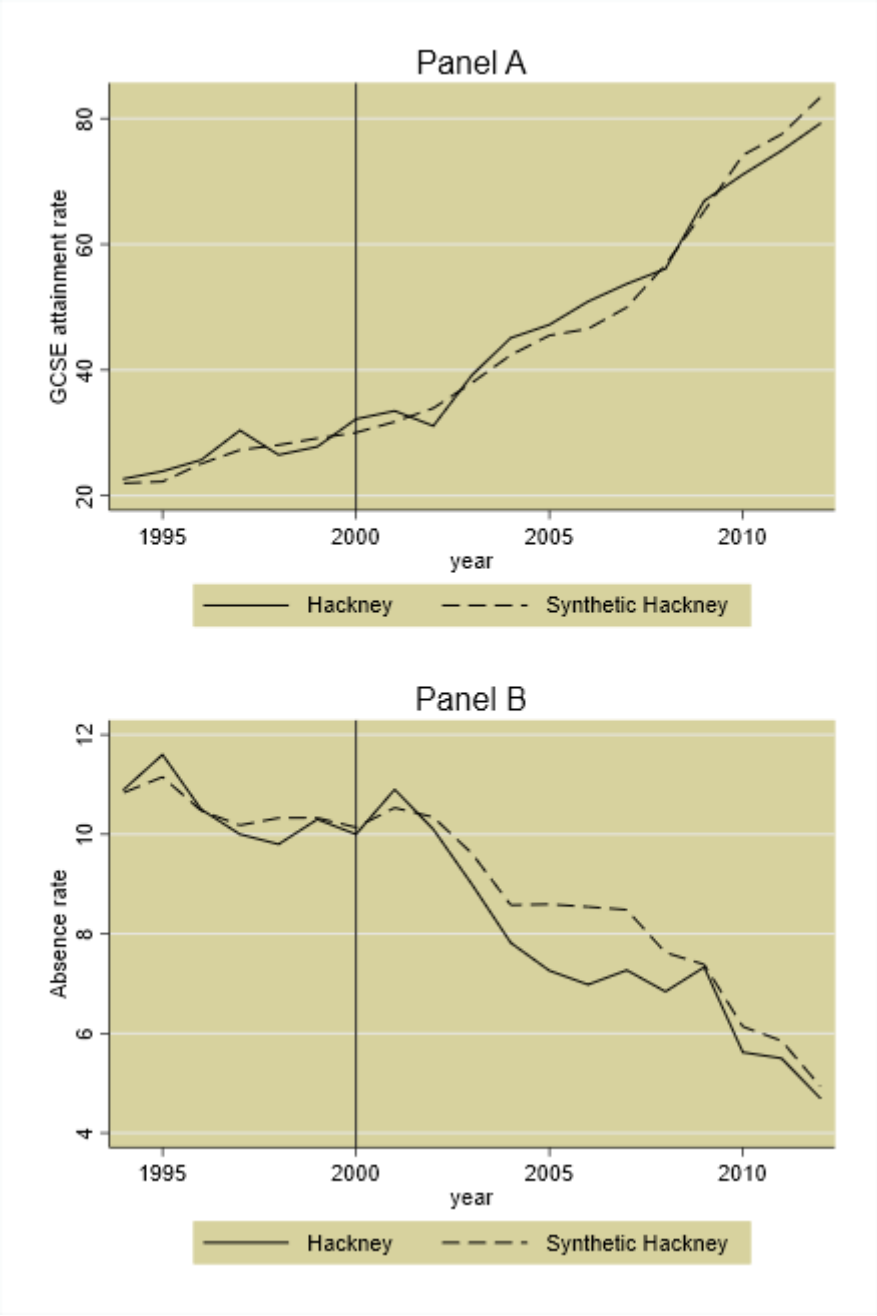

Figure 5. Backdating the Creation of the HLT

Another supposition of the synthetic control method is the no-interference assumption, i.e. the absence of spillover effects on LEAs not subject to the intervention. The no-interference assumption is likely to be satisfied in our context, since we have no theoretical or practical

reasons to believe that the implementation of the HLT might have influenced outcomes in other LEAs, and no other LEA subsequently adopted a GCNPO model to provide education.

Discussion

We present evidence that the Learning Trust was an effective vehicle for turning around the education services in Hackney. Importantly, inspection reports (Oftsed, 2003; 2008), Hackney council cabinet reports (e.g. Hackney Council, 2005; 2007) and the reflections from a variety of key stakeholders (see Boyle and Humphreys, 2012) all suggest that the trust may have strengthened community involvement, stakeholder engagement and partnership-working in ways that facilitated service improvement. For example, in Ofsted's (2008) inspection the following key strengths of the trust were identified by inspectors: "effective partnership working with community organisations to build capacity", "advice and guidance services responsive to community need", and "successful action to engage local residents in learning" (p.7). These findings have important implications for theory and practice.

Theoretical implications

This study advances public administration and nonprofit research by investigating the use of GCNPOs to provide public services. Based on measures of educational attainment and inclusion, the findings suggest that GCNPOs may potentially be an effective means for successfully harnessing nonprofit capabilities to the provision of public services. Although prior studies have suggested that involving nonprofits in public service delivery can result in performance improvements (e.g. Nolte and Boenigk, 2011; Selden, Sowa and Sandfort, 2006), little systematic research has addressed the effectiveness of GCNPOs. Furthermore, in adopting a SCM analysis we deploy a more rigorous methodology than has been utilised in previous research dealing with the issue of the effectiveness of public-nonprofit

collaboration. In the future, survey-based research and in-depth case studies with key actors from the nonprofit sector, government and the local community could usefully illustrate the ways in which the distinctive capabilities of GCNPOs potentially enable them to generate better social outcomes.

We contribute to sector failure theories by clarifying the role that a hybrid public-nonprofit organization can play in addressing public service failure. Nevertheless, it is important to note here that the Learning Trust is a single distinctive case. Hackney is a community characterised by a plethora of complex, challenging and deep-rooted social needs that give rise to a higher level of demand heterogeneity than might be present in other local areas (Wessendorf, 2014). It is possible that the creation of a nonprofit organization to run education services would be less effective in communities characterised by greater demand homogeneity, and which might therefore be better served by in-house public sector provision. There have been no further conversions of LEAs into nonprofit organizations since the Learning Trust's contract was terminated in 2012, so comparisons of the performance of in-house and nonprofit managed education provision are not possible. However, the growth of Academy schools run as nonprofit organizations outside of the local government system across England from 2010 onwards could potentially facilitate such comparisons. Moreover, there are many examples of GCNPOs competing with more conventional nonprofits in the social housing sector, as well as in-house providers. Research comparing the performance of GCNPOs, NPOs and in-house services in this policy field, and in others such as leisure and culture, would cast valuable light on the relative advantages and disadvantages of different types of NPO.

In addition to the literatures on sectoral advantage and failure, our findings can inform extant scholarship on public service turnaround by highlighting that an especially far-reaching strategy of reorganization can potentially achieve improvements in the service

performance of failing organizations. Prior research suggests that external managerial succession is not an effective reorganization strategy for turning around underperforming services (Boyne and Meier, 2009; Favero and Ritherford, 2016), but that the imposition of a cabinet committee composed of public managers from other organizations can improve the performance of failing local governments (Reinegewertz and Beeri, 2018). Our study contributes to debates about the merits of alternative reorganization strategies by identifying how complete transformation of the governance structure from a public into a hybrid public-nonprofit one might promote positive organizational change. Subsequent research should therefore seek to identify the scope for involving the nonprofit (and private) sector in the implementation of retrenchment and repositioning turnaround strategies focused on achieving cost-savings and new service offerings. A further intriguing issue is what happens when the services managed by a GCNPO, such as the Learning Trust, return to in-house management. Research dealing with the antecedents and effects of "re-municipalisation" of services provided by GCNPOs is therefore something that scholars should consider undertaking in the future.

Practical implications

The results of our study demonstrate that the use of GCNPOs may be an attractive vehicle for practitioners seeking to harness the distinctive capabilities of the nonprofit sector for public purposes, such as the turnaround of failing public services. Politicians and policy-makers concerned with developing frameworks for encouraging innovative strategic management in the public sector should therefore consider incentivising the use of nonprofit organizational forms to manage as well as provide local public services, where appropriate. In doing so, they should pay close attention to the ways in which meaningful involvement of community

stakeholders in the governance structures of public-nonprofit collaborative entities can be guaranteed.

The research also provides valuable lessons for the leaders and managers of the nonprofit organizations involved in public service delivery. While collaborations with government may be difficult to manage due to the challenges posed by resource dependence, policy change and political rent-seeking (Coston, 1998), such enterprises can potentially generate new collaborative capabilities that benefit the nonprofit as well as the public sector (Salamon, 1987). For instance, although the sustainability of GCNPOs is ultimately dependent upon political contingencies, if managed effectively they can potentially serve as a valuable vehicle for supporting the development and growth of a vibrant community sector that is engaged in collectively addressing social issues. For that reason, appropriate board management practices are required to ensure that GCNPOs are able to successfully carry out their community development role (Chait et al., 2011).

Conclusion

Our study contributes to the growing literature on collaboration between the nonprofit and public sector by providing evidence of the effectiveness of a GCNPO (The Learning Trust) for turning around failing public education services in an inner-city area. To date, research investigating public-nonprofit relationships has rarely focused on the management or performance of this distinctive organizational form, even though it is commonly used by governments to provide public services in many developed (and developing) countries. We hope that our study provides a foundation for further theoretical development and empirical studies in such settings.

Although our findings furnish evidence supporting public-nonprofit collaboration, the available quantitative and qualitative data do not permit us to isolate the precise micro-level

features of the Learning Trust that may have been responsible for the performance improvements that we identify. More research is therefore needed to pinpoint which attributes of this distinctive organizational form might have been most likely to have generate the improved educational outcomes. Furthermore, the Learning Trust was initially set up at the instigation of the UK central government, with the Chair of the Board appointed by the Secretary of State for Education. The governance structures of NPOs that are wholly-owned and created by local governments vary considerably, and, therefore, may be more or less likely to result in the kinds of performance outcomes observed for the GCNPO studied here. A research agenda addressing the myriad ways in which GCNPOs are developed, designed and managed would therefore cast invaluable light on the dynamics of this widespread but understudied hybrid public-nonprofit organizational form.

Data Availability

The data underlying this article will be shared on reasonable request to the authors.

References

Abadie, Alberto, Alexis Diamond, and Jens Hainmueller. 2010. Synthetic control methods for comparative case studies: Estimating the effect of California's tobacco control program. *Journal of the American Statistical Association* 105(490): 493-505.

Abadie, Alberto, Alexis Diamond, and Jens Hainmueller, 2011 "SYNTH: Stata module to implement Synthetic Control Methods for Comparative Case Studies," *Statistical Software Components*, S457334, Boston College Department of Economics.

Abadie, Alberto and Javier Gardeazabal. 2003. The economic costs of conflict: A case study of the Basque Country. *American Economic Review* 93(1): 113–32.

Abadie, Alberto (forthcoming). Using Synthetic Controls: Feasibility, Data Requirements, and Methodological Aspects. *Journal of Economic Literature*.

Andrews, Rhys and Tom Entwistle. 2010. Does cross-sectoral partnership deliver? An empirical exploration of public service effectiveness, efficiency, and equity. *Journal of Public Administration Research and Theory* 20(3): 679-701.

Andrews, Rhys, Laurence Ferry, Chris Skelcher and Piotr Wegorowski. 2020. Corporatisation in the public sector: explaining the growth of local government companies. *Public Administration Review* 80(3): 482-493.

Anheier, Helmut K. 2006. *Nonprofit Organizations: An Introduction*. London: Routledge.

Ashworth, Rachel, George A. Boyne and Rick Delbridge. 2007. Escape from the iron cage? Organizational change and isomorphic pressures in the public sector. *Journal of Public Administration Research and Theory* 19(1): 165-187.

Audit Commission. 2002. *Comprehensive Performance Assessment: Scores and analysis of performance for single tier and county councils in England*. London: Audit Commission.

Babbidge, Adrian, Rosemary Ewles, and Julian Smith. 2006. *Moving to Museum Trusts: Learning from Experience Advice to Museums in England & Wales*. London: Museums Libraries and Archives Council.

Balgobin, Rolf and Naresh Pandit. 2001. Stages in the turnaround process: The Case of IBM UK. *European Management Journal* 19(3): 301-316.

Beeri, Itai. 2012. Turnaround management strategies in public systems: The impact on group-level organizational citizenship behavior. *International Review of Administrative Sciences* 78(1): 158-179.

Bibeault, Donald B. 1998. *Corporate turnaround: how managers turn losers into winners!* Washington, DC: Beard Books.

Billis David and Howard Glennerster. 1998. Human services and the voluntary sector: Towards a theory of comparative advantage. *Journal of Social Policy* 27(1): 79-98.

Billmeier, Andreas, and Tommaso Nannicini. 2013. Assessing economic liberalization episodes: A synthetic control approach. *Review of Economics and Statistics*, 95(3), 983-1001.

Boyle, Alan and Salli Humphreys. 2012. *Revolution in a decade. Ten out of ten*. London: Leannta.

Boyne, George A. 2004. A '3Rs' strategy for public service turnaround: retrenchment, repositioning and reorganization. *Public Money and Management* 24(2): 97-103.

Boyne, George A. 2006. Strategies for public service turnaround: Lessons from the private sector? *Administration & Society* 38(3): 365-388.

Boyne, George A., Oliver James, Peter John and Nick Petrovsky. 2012. Party control, party competition and public service performance. *British Journal of Political Science* 42(3): 641-660.

Boyne, George A. and Kenneth J. Meier. 2009. Environmental change, human resources and organizational turnaround. *Journal of Management Studies* 46(5): 835-863.

Bradley, Steve, Geraint Johnes, and Jim Millington. 2001. The effect of competition on the efficiency of secondary schools in England. *European Journal of Operational Research* 135(3): 545-568.

Brecher, Charles and Oliver Wise. 2008. Looking a gift horse in the mouth: Challenges in managing philanthropic support for public services. *Public Administration Review* 66(suppl. 1): 146-161.

Brinkerhoff, Jennifer M. and Derick W. Brinkerhoff. 2002. Government–nonprofit relations in comparative perspective: evolution, themes and new directions. *Public Administration*

and Development: The International Journal of Management Research and Practice 22(1): 3-18.

Chait, Richard P., William P. Ryan and Barbara E. Taylor. 2011. *Governance as leadership: Reframing the work of nonprofit boards*. Hoboken, NJ: John Wiley & Sons.

Cheng, Yuan. 2019a. Nonprofit spending and government provision of public services: Testing theories of government–nonprofit relationships. *Journal of Public Administration Research and Theory* 29(2): 238-254

Cheng, Yuan. 2019b. Governing government-nonprofit partnerships: Linking governance mechanisms to collaboration stages. *Public Performance & Management Review* 42(1): 190-212.

Cohen, Steven. 2001. A strategic framework for devolving responsibility and functions from government to the private sector. *Public Administration Review* 61(4): 432-40.

Coston, Jennifer M. 1998. A model and typology of government-NGO relationships. *Nonprofit and Voluntary Sector Quarterly* 27(3): 358-382.

Coupet, Jason, Kate Albrecht, Teshanee Williams and Sue Farruggia. 2020. Collaborative value in public and nonprofit strategic alliances: Evidence from transition coaching. *Administration & Society* 52(3): 405-430.

Dollery, Brian. 2009. The influence of economic theories of government failure on public management reform. In: Shaun Goldfinch and Joe Wallis (eds) *International Handbook of Public Management Reform*, pp.18-40. Cheltenham: Edward Elgar.

Dollery, Brian and Joe Wallis. 2004. Economic approaches to the voluntary sector: a note on voluntary failure and human service delivery. *International Review of Public Administration* 8(2): 25-31.

Eren, Ozkan and Serkan Ozbeklik. 2016. What do right-to-work laws do? Evidence from a synthetic control method analysis. *Journal of Policy Analysis and Management* 35(1): 173-194.

Evers, Adalbert. 2005. Mixed welfare systems and hybrid organizations: Changes in the governance and provision of social services. *International Journal of Public Administration* 28(9-10): 737-748.

Favero, Nathan and Amanda Rutherford. 2016. For better or worse: Organizational turnaround in New York City schools. *Public Management Review* 18(3): 437-455.

Ferry, Laurence, Rhys Andrews, Chris Skelcher, and Piotr Wegorowski. 2018. Corporatization of local authorities in England in the wake of austerity 2010-2016. *Public Money and Management* 38 (6): 477-480.

Forbes, Daniel P. 1998. Measuring the unmeasurable: Empirical studies of nonprofit organization effectiveness from 1977 to 1997. *Nonprofit and Voluntary Sector Quarterly* 27(2): 183-202.

Gazley, Beth. 2008. Beyond the contract: The scope and nature of informal government–nonprofit partnerships. *Public Administration Review* 68: 141-154.

Gazley, Beth, and Jeffrey L. Brudney. 2007. The purpose (and perils) of government-nonprofit partnership. *Nonprofit and Voluntary Sector Quarterly* 36(3): 389-415.

Gibbons, Stephen, and Olmo Silva, O. 2008. Urban density and pupil attainment. *Journal of Urban Economics* 63(2): 631-650.

Gordon, Ian and Vassilis Monastiriotis. 2007. Education, location, education: a spatial analysis of English secondary school public examination results. *Urban Studies* 44(7); 1203-1228.

Hackney Council (HC). 2002. *Contract with the Learning Trust*. Report of the leader and cabinet member for education. 8th July 2002.

HC. 2005. *Review of the Learning Trust corporate plan, 2005-08*. Report of the education and learning scrutiny commission. 2nd February 2005.

HC. 2007. *Review of the Learning Trust corporate plan, 2005-08*. Report of the education and learning scrutiny commission. 13th February 2007.

HC. 2011. *Approval of the Learning Trust annual plan*. Report of the leader and cabinet member for education. 28th February 2011.

Hannigan, Brenda. 2018. *Company law*. (5th ed.) Oxford: Oxford University Press.

Hansmann, Henry B. 1980. The role of nonprofit enterprise. T*he Yale Law Journal* 89(5): 835-901.

Hodgson, Lesley. 2004. Manufactured civil society: Counting the cost. *Critical Social Policy* 24(2): 139-164.

Holmlund, Helena and Olmo Silva. 2014. Targeting noncognitive skills to improve cognitive outcomes: Evidence from a remedial education intervention. *Journal of Human Capital* 8(2): 126-160.

James, Oliver, Sebastian Jilke, Carolyn Petersen, and Steven Van de Walle. 2016. Citizens' blame of politicians for public service failure: Experimental evidence about blame reduction through delegation and contracting. *Public Administration Review* 76(1): 83-93.

Jones, Marshall B. 2007. The multiple sources of mission drift. *Nonprofit and Voluntary Sector Quarterly* 36(2): 299-307.

Kapucu, Naim. 2006. Public-nonprofit partnerships for collective action in dynamic contexts of emergencies. *Public Administration* 84(1): 205-220.

Knauer, Nancy J. 1996. Reinventing government: The promise of institutional choice and Government Created Charitable Organizations. *New York Law School Law Review* 41 945-959.

Ladd, Helen F. and Edward B. Fiske. 2016. *Educational success in two inner London boroughs: Lessons for the US*. Brookings Institution Brown Center Report. Washington, DC: Brookings Institution, Brown Center on Education Policy.

Lasker Roz D., Eliza Weiss and Rebecca Miller. 2001. Partnership synergy: A practical framework for studying and strengthening the collaborative advantage. *Milbank Quarterly* 79(2): 179-205.

Lazzarini, Sergio G., Leandro S Pongeluppe, Nobuiuki C Ito, Felippe de Medeiros Oliveira, Armen Ovanessoff. Forthcoming. Public capacity, plural forms of collaboration, and the performance of public initiatives: A configurational approach. *Journal of Public Administration Research and Theory*.

Leavitt, William M. and John C. Morris. 2004. In search of middle ground: The public authority as an alternative to privatization. *Public Works Management & Policy* 9(2): 154-63.

London Councils. 2015. *Lessons from London: insights on improving schools*. London: London Councils.

Lupton, Ruth and Polina Obolenskaya. 2013. Labour's record on education: policy, spending and outcomes 1997-2010. Social Policy in a Cold Climate Working Paper. London School of Economics: Centre for Analysis of Social Exclusion.

Maier, Florentine, Michael Meyer and Martin Steinbereithner. 2016. Nonprofit organizations becoming business-like: A systematic review. *Nonprofit and Voluntary Sector Quarterly* 45(1): 64-86.

Marwell, Nicole P. 2004. Privatizing the welfare state: Nonprofit community-based organizations as political actors. *American Sociological Review* 69(2): 265-291.

Marwell, Nicole P. and Thad Calabrese. 2015. A deficit model of collaborative governance: Government–nonprofit fiscal relations in the provision of child welfare services, *Journal of Public Administration Research and Theory* 25(4) 1031-1058.

McGregor-Lowndes, Myles and Ted Flack. 2002. The border between government and charity: A case study of Queensland hospital foundations. *Third Sector Review* 8(1): 99-115.

Mellahi, Kamel, and Adrian Wilkinson. 2004. Organizational failure: a critique of recent research and a proposed integrative framework. *International Journal of Management Reviews* 5(1): 21-41.

Meyer, Carrie A. 1997. Public-nonprofit partnerships and North-South green finance. *The Journal of Environment & Development* 6(2): 123-146.

Ni, Na and Xueyong Zhan. 2017. Embedded government control and nonprofit revenue growth. *Public Administration Review* 77(5): 730-742.

Nolte, Isabella M. and Silke Boenigk. 2011. Public–nonprofit partnership performance in a disaster context: The case of Haiti. *Public Administration* 89(4): 1385-1402.

O'Brien, Margaret and Deborah Jones. 1999. Children, parental employment and educational attainment: An English case study. *Cambridge Journal of Economics* 23(5): 599-621.

Office of the Deputy Prime Minister. 2004. *Learning from the experience of recovery*. London: The Stationery Office.

Office of Public Services Reform. 2002. *Inspecting for improvement: Developing a customer focused approach*. London: Cabinet Office.

Office for Standards in Education (Ofsted). 2000. *Inspection of Hackney Local Education Authority*. London: Ofsted.

Ofsted. 2003. *Inspection of Hackney Local Education Authority*. London: Ofsted.

Ofsted. 2008. *Inspection of The Learning Trust (formerly Hackney Local Education Authority)*. London: Ofsted.

Osborne, David, and Ted Gaebler. 1993. *Reinventing government: How the entrepreneurial spirit is transforming the public sector*. New York: Plume.

Palandt, Klaus. 2003. Universities as foundations – the new model of Lower Saxony. *Higher Education in Europe* 28(2): 181-187.

Pawson, Hal and David Mullins. 2010. *After council housing: Britain's new social landlords*. London: Palgrave.

Peci, Alketa, Mirtha Iris Oquendo and Patricia Mendonça. Forthcoming. Collaboration,(dis) trust and control in Brazilian manufactured public/nonprofit partnerships. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*.

Reid, Ken. 2005. The causes, views and traits of school absenteeism and truancy: An analytical review. *Research in Education* 74(1): 59-82.

Reingewertz, Yaniv. and Itai Beeri. 2018. How effective is central enforcement? Evidence from convened committees in failing local authorities. *Environment and Planning C: Politics and Space* 36(2): 357-380.

Robbins, D. Keith. and John A. Pearce. 1992. Turnaround: Retrenchment and recovery. *Strategic Management Journal* 13(4): 287-309.

Roesel, Felix. 2017. Do mergers of large local governments reduce expenditures? Evidence from Germany using the synthetic control method. *European Journal of Political Economy* 50: 22-36.

Ross, Justin M. 2018. Unfunded mandates and fiscal structure: Empirical evidence from a synthetic control model. *Public Administration Review* 78(1): 92-103.

Rothon, Catherine. 2007. Can achievement differentials be explained by social class alone? An examination of minority ethnic educational performance in England and Wales at the end of compulsory schooling. *Ethnicities* 7(3): 306-322.

Rufin, Carlos, and Miguel Rivera-Santos. 2012. Between commonweal and competition: understanding the governance of public–private partnerships. *Journal of Management* 38(5): 1634-1654.

Rutherford, Amanda. 2014. Organizational turnaround and educational performance: The impact of performance-based monitoring analysis systems. *American Review of Public Administration* 44(4): 440-458.

Rutherford, Amanda and Nathan Favero. 2020. Organizational turnaround: Moving beyond one-size-fits-all solutions. *International Public Management Journal* 23(3): 315-335.

Salamon, Lester M. 1987. Of market failure, voluntary failure, and third-party government: Toward a theory of government-nonprofit relations in the modern welfare state. *Nonprofit & Voluntary Sector Quarterly* 16(1-2): 29-49.

Salamon, Lester M. and Helmut K. Anheier. 1997. *Defining the nonprofit sector: A cross-national analysis* (Vol. 3). Manchester: Manchester University Press.

Selden, Sally C., Jessica E. Sowa and Jody Sandfort. 2006. The impact of nonprofit collaboration in early child care and education on management and program outcomes. *Public Administration Review* 66(3): 412-425.

Smith, Steven R. and Michael Lipsky. 1993. *Nonprofits for hire: The welfare state in the age of contracting*. Cambridge, MA: Harvard University Press.

Suárez, David F. and Nicole Esparza. 2017. Institutional change and management of public–nonprofit partnerships. *American Review of Public Administration* 47(6): 648-660.

The Learning Trust (LT). 2003a. *Corporate and annual plan, 2003-04*. The Learning Trust.

LT. 2003b. *Annual plan, 2003-04: supplementary*. The Learning Trust.

LT. 2003c. *Annual plan KPI summary Actions*. The Learning Trust.

LT. 2008. *The Learning Trust's continuous improvement plan, 2009-10*. The Learning Trust.

LT. 2009. *The Learning Trust's continuous improvement plan, 2010-11*. The Learning Trust.

LT. 2011. *The Learning Trust's continuous improvement plan, 2010-11*. The Learning Trust.

Trahms, Cheryl A., Hermann A. Ndofor, and David G. Sirmon. 2013. Organizational decline and turnaround: A review and agenda for future research. *Journal of Management*, 39(5): 1277-1307.

Turner, David, Chris Skelcher, Philip Whiteman and Michael Hughes. 2004. Intervention or persuasion? Strategies for turnaround of poorly performing councils. *Public Money and Management* 24(4): 217–226.

Ulubaşoğlu, Mehmet A., and Buly A. Cardak. 2007. International comparisons of rural–urban educational attainment: Data and determinants. *European Economic Review* 51(7): 1828-1857.

Van Slyke, David M. (2007). 'Agents or stewards? Using theory to understand the government-nonprofit social service contracting relationship. *Journal of Public Administration Research and Theory* 17(2): 157-187.

Wang, Qun. 2018. Have Chinese foundations become an independent sector? An examination of the links between government and foundations. *Asia Pacific Journal of Public Administration* 40(1): 68-73.

Weisbrod, Burton A. 1997. The future of the nonprofit sector: Its entwining with private enterprise and government. *Journal of Policy Analysis and Management* 16 (4): 541-55.

Wessendorf, Susanne. 2014. 'Being open, but sometimes closed'. Conviviality in a super-diverse London neighbourhood. *European Journal of Cultural Studies* 17(4): 392-405.

Wilson, Deborah and Anete Piebalga. 2008. Performance measures, ranking and parental choice: an analysis of the English school league tables. *International Public Management Journal* 11(3): 344-366.

Woodcraft, Saffron and Henrietta Moore. 2019. Understanding prosperity in east London: Local meanings and 'sticky' measures of the good life. *City and Society* 31(2): 275-298.

Woodward, Will. and Peter Hetherington. 2000. Schools chief says Hackney is worst council. *The Guardian*, Saturday 18th November.

Yamamoto, Tadashi. 1998. The state and the nonprofit sector in Japan. In: Tadashi Yamamoto (ed). *The nonprofit sector in Japan* (pp.119-144). Manchester: Manchester University Press.

Yanow, Dvora. 2006. Qualitative-interpretive methods in policy research. In: Frank Fischer, Gerald J. Miller and Mara S. Sidney (eds) *Handbook of Public Policy Analysis: Theory, Politics and Methods*, pp.405-416. London: CRC Press.

Young, Dennis R. 1998. Government failure theory. In J.S. Ott (Ed.) *The nature of the nonprofit sector* (pp. 193-196). Boulder, CO: Westview.

Appendix A: Sample Composition and Data Sources for SCM Analysis

The Local Education Authorities included in our study are the following: Barnsley, Blackpool, Bradford, Bristol, Durham, Doncaster, Greenwich, Hackney, Haringey, Islington, Kingston upon Hull, Knowsley, Lambeth, Leicester, Lewisham, Liverpool, Luton, Manchester, Merton, Middlesbrough, Newcastle upon Tyne, North East Lincolnshire, Nottingham, Portsmouth, Rochdale, Salford, Sandwell, Sheffield, Southwark, Stoke-on-Trent, Swindon, Waltham Forest, and Wolverhampton.

Data sources:

- Percentage of students achieving at least five A* – C GCSE grades: UK Department of Education
- Absence rates: UK Department of Education
- Education spending (per capita): UK Department of Education
- Unemployed persons (per 1000 population): UK Census
- Population density: UK Census.
- Ethnic Diversity: Authors' calculation based on UK Census data.

Appendix B Documentary Data Sources

Key stakeholders	Type of written material analysed	Number of documents	Approximate page count
The Learning Trust	Annual improvement plans	10	300
	Annual reports	10	300
	Articles of Association	1	22
Hackney Council	Annual accounts	12	1200
	Cabinet reports (incl. report on the contract with the Learning Trust)	10	100
Leannta Education Associates	Consultancy report	1	78
London Councils (the local government association for London's 32 boroughs)	Consultancy report	1	64
Office for Standards in Education	Inspection reports	3	130